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SUBJECT: FRENCH LAW ON DIGITAL TELEVISION TAXES TELCO PROVIDERS

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Summary

¶1. (U) On February 22, the French Parliament approved a GOF-drafted bill that will replace analog with digital television by 2011, launch high definition television (HDTV), and provide for handheld portable TV services. The GOF has not yet decided how it will allocate the spectrum freed by the end of analog television. The bill will extend the tax that TV stations pay to support new content production to all TV distributors, including telecommunications operators of ADSL broadband services.

End summary.

The Digital Shift

¶2. (U) Proposed by the Government in June 2006 and approved by French Parliament on February 22, the law on the "Modernization of Audiovisual Broadcasting and Television of the Future" entered into force on March 7. The law's purpose is to organize the conditions for the replacement of analog television by digital TV. Digital television will replace analog television between March 31, 2008 and November 20, 2011. A national plan will determine when the switch will occur in each region as well as other details related to the change. The GOF will draw up this plan after conducting public consultations and receiving a proposal from the Digital Strategic Commission that President Chirac established in May 2005.

¶3. (SBU) The Prime Minister will reallocate spectrum freed up by the switch from analog to digital television to the French Administration, French broadcasting regulator Conseil Supérieur de l'Audiovisuel (CSA) and telecoms and postal services regulator Autorité de Régulation des Communications Electroniques et des Postes (ARCEP). The GOF will make public its strategy for spectrum reallocation at a later date. ARCEP Spectrum Management Chief Michel Combet told us that the GOF is considering a U.S.-style auction to reallocate the spectrum, although some of it may be set aside for audiovisual uses.

Allocating capacity for new TV services

¶4. (U) The GOF will provide some, but not all, of the spectrum to

CSA so that it can quickly launch audiovisual (a/v) services on new platforms or using technology not yet developed. One of the first new services will be television services delivered over mobile telephones. Generally, the CSA will take into account a network's commitment to abide by the existing French and EU broadcasting quotas (50 percent French content plus an additional 10 percent EU content) in delivering digital HDTV licenses. For mobile television services, however, the law allows CSA to be as flexible as possible so that new service providers can attract enough customers to make their services viable. Depending on the frequencies available and the roll-out of the HDTV network, mobile television services could be launched as early as next fall.

Mandating action in favor of new services

¶5. (U) A Parliamentary amendment was attached to the GOF-drafted bill that mandates that all television sets sold from 2008 include a digital tuner. The law bans manufacturers from delivering analog-only television sets to retailers beginning nine months from the law's date of entry into force (March 7), and retailers will no longer be able to sell analog-only TV sets from March 7, 2008.

¶6. (U) The law specifies that Digital Terrestrial Television (DTT) will be available to 95 percent of the French population. To enable the remaining 5 percent to access services similar to those available on the DTT platform, the law requires that a free-to-view satellite service be available as of this summer.

A price to pay

¶7. (SBU) The law will extend the tax that TV stations pay to support new content production to all TV distributors, including

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telecommunications operators of ADSL broadband services. This tax is already paid by France-based terrestrial and cable TV stations to support new content production, provide grants and subsidies to French films and producers of audiovisual works, and contribute to the production of high-definition and mobile-television formats. A Union for a Popular Movement (UMP) Parliamentarian who leads a Parliamentarian study group on internet issues asserted that these provisions illustrate that the new bill is technologically neutral. An ARCEP Commissioner told us that such a legal provision had the advantage of allowing ADSL operators to gain access to content.

¶8. (SBU) To protest this move, France's leading triple play (internet telephony/ADSL broadband/television) service provider Free unsuccessfully started an online petition against what it called the "Internet tax," which generated over half a million signatures in a few days. Free questioned whether it would benefit from this tax.

Comment

¶9. (SBU) While reaction to the law's switch to digital television was unanimously positive, criticism has focused on the extension of the new tax to finance French content. Observers have noted that the audiovisual financing provisions are increasingly out-of-touch with technological developments, particularly given the rise of user generated content, interactive TV, and websites such as YouTube or BitTorrent.

Stapleton